



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY

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John G. Morgan  
Comptroller

December 11, 2003

**Memorandum**

TO: The Honorable Phil Bredesen  
Governor

The Honorable Douglas Henry, Jr., Chairman  
Senate Finance, Ways, & Means Committee

The Honorable Tommy Head, Chairman  
House Finance, Ways, & Means Committee

FROM: John Morgan, Comptroller of the Treasury *JM*  
Riley Darnell, Secretary of State *RD*  
Dale Sims, State Treasurer *Dale Sims jr*  
M.D. Goetz, Jr., Commissioner  
Department of Finance & Administration *MAG*

SUBJECT: Revenue Estimates for FY 2003-04 and FY 2004-05

The State Funding Board met on December 9 and 11, 2003 to hear presentations on, and to engage in discussions about, the State's near-term economic outlook for the fiscal years 2003-04 and 2004-05. During this meeting, the Board heard economic testimony from Dr. William Fox of The University of Tennessee, Dr. Albert DePrince of Middle Tennessee State University, Dr. John Gnuschke and Dr. Richard Evans of the University of Memphis, Mr. Jim White of the Fiscal Review Committee, and Mr. Reid Linn of the State Department of Revenue. The state tax revenue estimates provided by each of the presenters are summarized in the two attachments to this memorandum.

The Board is charged with responsibility to develop consensus ranges of state revenue growth. In doing so, the Board evaluates and interprets economic data and

revenue forecasts supplied by various economists as well as persons acquainted with the Tennessee revenue system. Since this is a revenue estimation process and **not** a budgeting process, the Board does not take into consideration the State's fiscal situation when developing its consensus ranges of revenue growth. Fiscal considerations properly belong with those who set the State's revenue estimates- the Administration that recommends appropriation levels based upon its assessment of revenue growth and the General Assembly that adopts a *de facto* revenue estimate through its final action on the appropriations bill. The Board wishes users of these consensus ranges to take notice that these ranges **are not** discounted in an attempt to add conservatism given the State's current fiscal condition.

The consensus is that the economy is experiencing a small, non-robust, jobless recovery and that a recovery without job growth cannot be strong. One presenter stated that recovery without jobs is like barbecue without sauce. Additionally, the presenters pointed out that the State sales tax collections by source indicate strong activity in building materials and vehicle sales, but cautioned that these levels may be indicative of prespending and such levels may not be sustained, given the underlying activities' sensitivity to interest rates. A downturn in vehicle sales and housing starts would impact both sales and privilege tax collections. Since consumers have continued to spend during this period, the traditional cyclical pickup from consumer activity is not expected, and the presenters looked to corporate activity as the potential source for future growth. The lack of clear job growth, along with the fall in exports and the decline in inventories, caused the presenters to be hesitant with their growth projections despite signs of recovery.

Caution was expressed with respect to franchise and excise tax collections due in part to changes in legislation enacted during the last two legislative sessions changing the tax rate and quarterly payment schedules. Although firms have made quarterly payments at 100% of estimate, the payments have not been required to be calculated at the increased rate. Evidence of real growth in franchise and excise taxes therefore is unlikely prior to the April 2004 payment due date. Additionally, caution was expressed with respect to the sales tax collections due to the tax rate increase and staggered implementation. Approximately \$32 million in sales tax collections is due to the rate increase and not due to underlying growth.

In terms of state revenue forecasts, all presenters believed the state would experience revenue growth during both fiscal years 2003-04 and 2004-05. For fiscal year 2003-04, estimates from four of the presenters for total revenue growth range from 4.43% to 5.0%. The fifth estimate of 7.18% was significantly higher due to certain assumptions embedded in his economic forecasting model regarding the franchise and excise taxes. For fiscal year 2004-05, the estimates for total revenue growth range from 2.58% to 4.36%.

Based on the testimony received and the Board discussions, the Board developed the following consensus revenue ranges. These estimates are expressed in ranges of

growth rates in State tax revenue collections. The following table summarizes these Estimates:

|                   | FY 2003-04 |             | FY 2004-05 |             |
|-------------------|------------|-------------|------------|-------------|
|                   | <u>Low</u> | <u>High</u> | <u>Low</u> | <u>High</u> |
| Total State Taxes | 4.25%      | 5.0%        | 3.6%       | 4.35%       |
| General Fund Only | 5.5%       | 6.25%       | 3.85%      | 4.6%        |

The Board believes these consensus revenue growth ranges to be reasonable and appropriate for use in state budgeting. As in past years, the Board intends to revisit these estimates prior to the General Assembly's final budget deliberations. Each of you will be advised of any revisions made by the Board at that time.

Additionally, the State Funding Board received a presentation from Mr. White regarding projected revenue ranges for net lottery proceeds for the remainder of the current fiscal year and for the next fiscal year. Tennessee Code Annotated Section 4-51-111(c) requires the State Funding Board to establish a projected revenue range for the net lottery proceeds for the remainder of the current fiscal year and for the succeeding fiscal year. Mr. White prefaced his comments with an advisory warning that there is no new information that was not available in May 2003 when his office prepared the fiscal note for the legislation. Therefore, any ranges suggested at this time could only be projections under potential scenarios rather than concrete estimates. Reference was made to the Comptroller's report dated February 2003 entitled Building Tennessee's Lottery: Considerations for Policymakers (available on line at [www.comptroller.state.tn.us/orea/reports/lottery.pdf](http://www.comptroller.state.tn.us/orea/reports/lottery.pdf)). This report noted the wide variety of experiences with state lotteries. State lottery revenues also can fluctuate greatly between years, months, and on a per capita basis.

The Board additionally heard from Ms. Rebecca Paul, the Chief Executive Officer and President, Mr. Steve Adams, the Chief Operating Officer and Mr. Andy Davis, Chief Financial and Technology Officer of the Tennessee Education Lottery Corporation. Legislation creating the Tennessee Education Lottery Corporation was signed into law by Governor Bredesen on June 11, 2003. The Lottery Board began meeting July 21, 2003. Ms. Paul was hired effective September 22, 2003. Twenty-nine employees have been hired. The Corporation recently has moved its offices to MetroCenter.

The comments of Ms. Paul and Mr. Adams confirmed the speculative nature of any ranges as to lottery revenues developed at this time. They agreed that by spring 2004 the following information should be available:

- Dates of game availability: (scratch-off or instant tickets February 10, 2004; on-line April 8, 2004; and multi-state games after July 1, 2004);
- Composition of the statewide retail distributions system (goal of 3,000 vendors across all regions);

- Infrastructure costs: to date, only 1/3 of the operational contracts have been let;
- Action on Federal legislation regulating internet gambling;
- Consideration by North Carolina and Alabama of lottery programs;
- Percentage of distribution of gross lottery proceeds to the State for the Lottery for Education Account, including Tennessee lottery scholarship program and the loans to local government units for education programs and purposes (the actual percentage will be determined by the Corporation); and
- Actual gross lottery revenue.

Due to the uncertainties surrounding the start-up of the lottery, the Board determined to defer establishment of the lottery ranges until the spring of 2004.

The projected ranges for the net lottery proceeds will be revisited at the time the State Funding Board considers revisions to the ranges of State revenue estimates prior to the adoption of the State's Appropriations Act. As indicated previously, each of you will be advised of any revisions made by the Board at that time.

Each of us stands ready to discuss this further at your convenience.

Attachment

cc. The Honorable John S. Wilder  
The Honorable Jimmy Naifeh

**COMPARISON OF ESTIMATED STATE TAX REVENUE FOR  
FISCAL YEAR 2003-2004**

(Accrual - Basis Estimates)

Schedule 1

| 2003-2004                                             |                         |                        |                                  |                        |                                  |                           |                                  |                          |                                  |                        |                                  |                           |                                  |
|-------------------------------------------------------|-------------------------|------------------------|----------------------------------|------------------------|----------------------------------|---------------------------|----------------------------------|--------------------------|----------------------------------|------------------------|----------------------------------|---------------------------|----------------------------------|
| DEPARTMENT OF REVENUE                                 | 2002-2003<br>ACTUAL     | BUDGETED               | % CHANGE<br>OVER 02-03<br>ACTUAL | DR. FOX<br>ESTIMATE    | % CHANGE<br>OVER 02-03<br>ACTUAL | FISCAL REVIEW<br>ESTIMATE | % CHANGE<br>OVER 02-03<br>ACTUAL | DR. DePRINCE<br>ESTIMATE | % CHANGE<br>OVER 02-03<br>ACTUAL | DR. EVANS<br>ESTIMATE  | % CHANGE<br>OVER 02-03<br>ACTUAL | REVENUE DEPT.<br>ESTIMATE | % CHANGE<br>OVER 02-03<br>ACTUAL |
| SOURCE OF REVENUE                                     | COLLECTIONS             | ESTIMATE               |                                  |                        |                                  |                           |                                  |                          |                                  |                        |                                  |                           |                                  |
| Sales and use Tax                                     | \$5,458,227,200         | \$5,619,900,000        | 2.96%                            | \$5,740,000,000        | 5.16%                            | \$5,758,430,000           | 5.50%                            | \$5,807,400,000          | 6.40%                            | \$5,763,200,000        | 5.59%                            | \$5,709,300,000           | 4.60%                            |
| Gasoline Tax                                          | 602,346,800             | 588,500,000            | -2.30%                           | 606,900,000            | 0.76%                            | 598,082,000               | -0.71%                           | 600,100,000              | -0.37%                           | 607,100,000            | 0.79%                            | 605,400,000               | 0.51%                            |
| Motor Fuel Tax                                        | 155,409,200             | 165,100,000            | 6.24%                            | 161,000,000            | 3.60%                            | 160,556,000               | 3.31%                            | 159,500,000              | 2.63%                            | 170,400,000            | 9.65%                            | 159,900,000               | 2.89%                            |
| Gasoline Inspection Tax                               | 60,858,000              | 64,700,000 *           | 6.31%                            | 62,000,000             | 1.88%                            | 62,472,000                | 2.65%                            | 57,300,000 *             | -5.85%                           | 62,500,000             | 2.70%                            | 61,700,000                | 1.38%                            |
| Motor Vehicle Registration Tax                        | 225,033,600             | 240,800,000            | 7.01%                            | 237,000,000            | 5.32%                            | 234,035,000               | 4.00%                            | 237,400,000              | 5.50%                            | 236,900,000            | 5.27%                            | 234,300,000               | 4.12%                            |
| Income Tax                                            | 115,852,100             | 121,100,000            | 4.53%                            | 120,000,000            | 3.58%                            | 135,000,000               | 16.53%                           | 120,900,000              | 4.36%                            | 117,000,000            | 0.99%                            | 104,300,000               | -9.97%                           |
| Privilege Tax - Less Earmarked Portion                | 216,535,800             | 217,600,000            | 0.49%                            | 240,000,000            | 10.84%                           | 238,189,000               | 10.00%                           | 227,100,000 (1)          | 4.88%                            | 265,300,000 (1)        | 22.52%                           | 237,800,000               | 9.82%                            |
| Gross Receipts Tax - TVA                              | 198,502,100             | 204,600,000            | 3.07%                            | 202,400,000            | 1.96%                            | 202,046,000               | 1.79%                            | 204,600,000 **           | 3.07%                            | 204,600,000 **         | 3.07%                            | 202,400,000               | 1.96%                            |
| Gross Receipts Tax - Other                            | 18,134,400              | 19,400,000             | 6.98%                            | 19,000,000             | 4.77%                            | 18,316,000                | 1.00%                            | 20,700,000               | 14.15%                           | 18,000,000             | -0.74%                           | 16,400,000                | -9.56%                           |
| Beer Tax                                              | 17,063,700              | 18,000,000 *           | 5.49%                            | 18,100,000             | 6.07%                            | 17,422,000                | 2.10%                            | 15,900,000 *             | -6.82%                           | 16,500,000             | -3.30%                           | 17,800,000                | 4.32%                            |
| Alcoholic Beverage Tax                                | 34,059,200              | 35,000,000 *           | 2.76%                            | 36,000,000             | 5.70%                            | 35,217,000                | 3.40%                            | 31,000,000 *             | -8.98%                           | 35,300,000             | 3.64%                            | 35,900,000                | 5.40%                            |
| Franchise & Excise Taxes                              | 1,071,699,700           | 1,068,600,000          | -0.29%                           | 1,060,000,000          | -1.09%                           | 1,068,600,000             | -0.29%                           | 1,050,300,000            | -2.00%                           | 1,203,600,000          | 12.31%                           | 1,093,100,000             | 2.00%                            |
| Inheritance and Estate Tax                            | 83,148,300              | 75,000,000 *           | -9.80%                           | 85,000,000             | 2.23%                            | 89,800,000                | 8.00%                            | 66,400,000 *             | -20.14%                          | 104,900,000            | 26.16%                           | 90,200,000                | 8.48%                            |
| Tobacco Tax                                           | 114,716,900             | 118,400,000 *          | 3.21%                            | 115,600,000            | 0.77%                            | 119,306,000               | 4.00%                            | 104,900,000 *            | -8.56%                           | 114,600,000            | -0.10%                           | 120,500,000               | 5.04%                            |
| Motor Vehicle Title Fees                              | 10,978,300              | 11,100,000 *           | 1.11%                            | 11,100,000             | 1.11%                            | 11,253,000                | 2.50%                            | 9,800,000 *              | -10.73%                          | 11,400,000             | 3.84%                            | 11,300,000                | 2.93%                            |
| Mixed Drink Tax                                       | 38,422,300              | 39,900,000 *           | 3.85%                            | 40,400,000             | 5.15%                            | 40,113,000                | 4.40%                            | 35,300,000 *             | -8.13%                           | 40,200,000             | 4.63%                            | 39,900,000                | 3.85%                            |
| Business Tax                                          | 40,481,500              | 96,400,000 *           | 138.13%                          | 92,000,000             | 127.26%                          | 95,000,000                | 134.68%                          | 85,400,000 *             | 110.96%                          | 97,000,000             | 139.62%                          | 96,400,000                | 138.13%                          |
| Severance Tax                                         | 1,073,900               | 1,100,000 *            | 2.43%                            | 1,100,000              | 2.43%                            | 1,100,000                 | 2.43%                            | 1,000,000 *              | -6.88%                           | 1,000,000              | -6.88%                           | 1,100,000                 | 2.43%                            |
| Coin Operated Amusement Tax                           | 441,500                 | 3,500,000 *            | NA                               | 3,500,000              | NA                               | 2,000,000                 | NA                               | 3,100,000 *              | NA                               | 800,000                | NA                               | 400,000                   | NA                               |
| <b>TOTAL DEPARTMENT OF REVENUE</b>                    | <b>\$ 8,462,984,500</b> | <b>\$8,708,700,000</b> | <b>2.90%</b>                     | <b>\$8,851,100,000</b> | <b>4.59%</b>                     | <b>\$8,886,937,000</b>    | <b>5.01%</b>                     | <b>\$8,838,100,000</b>   | <b>4.43%</b>                     | <b>\$9,070,300,000</b> | <b>7.18%</b>                     | <b>\$8,838,100,000</b>    | <b>4.43%</b>                     |
| <b>GENERAL FUND ONLY (2)</b>                          | <b>\$ 6,962,149,700</b> | <b>\$7,222,800,000</b> | <b>3.74%</b>                     | <b>\$7,352,100,000</b> | <b>5.60%</b>                     | <b>\$7,395,637,000</b>    | <b>6.23%</b>                     | <b>\$7,349,700,000</b>   | <b>5.57%</b>                     | <b>\$7,561,400,000</b> | <b>8.61%</b>                     | <b>\$7,349,500,000</b>    | <b>5.56%</b>                     |
| <b>Budgeted Est. Compared to New Est. - Total</b>     |                         |                        |                                  | \$142,400,000          |                                  | \$178,237,000             |                                  | \$129,400,000            |                                  | \$361,600,000          |                                  | \$129,400,000             |                                  |
| <b>Budgeted Est. Compared to New Est. - Gen. Fund</b> |                         |                        |                                  | \$129,300,000          |                                  | \$172,837,000             |                                  | \$126,900,000            |                                  | \$338,600,000          |                                  | \$126,700,000             |                                  |
| <b>SELECTED TAXES</b>                                 | <b>ACTUAL</b>           | <b>BUDGETED</b>        | <b>%</b>                         | <b>DR. FOX</b>         | <b>%</b>                         | <b>FISCAL REVIEW</b>      | <b>%</b>                         | <b>DR. DePRINCE</b>      | <b>%</b>                         | <b>DR. EVANS</b>       | <b>%</b>                         | <b>REVENUE DEPT.</b>      | <b>%</b>                         |
| SALES AND USE TAX                                     | \$ 5,458,227,200        | \$5,619,900,000        | 2.96%                            | \$5,740,000,000        | 5.16%                            | \$5,758,430,000           | 5.50%                            | \$5,807,400,000          | 6.40%                            | \$5,763,200,000        | 5.59%                            | \$5,709,300,000           | 4.60%                            |
| FRANCHISE AND EXCISE TAXES                            | 1,071,699,700           | 1,068,600,000          | -0.29%                           | 1,060,000,000          | -1.09%                           | 1,068,600,000             | -0.29%                           | 1,050,300,000            | -2.00%                           | 1,203,600,000          | 12.31%                           | 1,093,100,000             | 2.00%                            |
| INCOME TAX                                            | 115,852,100             | 121,100,000            | 4.53%                            | 120,000,000            | 3.58%                            | 135,000,000               | 16.53%                           | 120,900,000              | 4.36%                            | 117,000,000            | 0.99%                            | 104,300,000               | -9.97%                           |
| ALL OTHER TAXES                                       | 1,817,205,500           | 1,899,100,000          | 4.51%                            | 1,931,100,000          | 6.27%                            | 1,924,907,000             | 5.93%                            | 1,980,400,000            | 8.98%                            | 2,103,500,000          | 15.75%                           | 1,931,400,000             | 6.28%                            |

(1) Privilege Tax estimates are reduced by \$32,000,000 in 2003-2004 for the earmarked portion of the tax.

(2) F&A calculated the General Fund distribution for all presenters.

\* F&A distributed taxes for Dr. DePrince based on ratios for budgeted collections for 2003-2004.

\*\* F&A distributed the Gross Receipts Taxes for Dr. DePrince and Dr. Evans based on anticipated TVA collections in 2003-2004.

**COMPARISON OF ESTIMATED STATE TAX REVENUE FOR  
FISCAL YEAR 2004-2005**

(Accrual - Basis Estimates)

Schedule 2

| DEPARTMENT OF REVENUE                              | DR. FOX                 | % CHANGE               | FISCAL REVIEW           | % CHANGE               | DR. DePRINCE            | % CHANGE               | DR. EVANS               | % CHANGE               | REVENUE DEPT.           | % CHANGE               |
|----------------------------------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|
| SOURCE OF REVENUE                                  | ESTIMATE                | OVER 03-04<br>ESTIMATE | ESTIMATE                | OVER 03-04<br>ESTIMATE | ESTIMATE                | OVER 03-04<br>ESTIMATE | ESTIMATE                | OVER 03-04<br>ESTIMATE | ESTIMATE                | OVER 03-04<br>ESTIMATE |
| Sales and use Tax                                  | \$ 6,055,700,000        | 5.50%                  | \$ 6,017,559,000        | 4.50%                  | \$ 6,066,100,000        | 4.45%                  | \$ 5,946,800,000        | 3.19%                  | \$ 5,892,000,000        | 3.20%                  |
| Gasoline Tax                                       | 617,600,000             | 1.76%                  | 607,053,000             | 1.50%                  | 606,000,000             | 0.98%                  | 613,300,000             | 1.02%                  | 611,400,000             | 0.99%                  |
| Motor Fuel Tax                                     | 167,400,000             | 3.98%                  | 164,570,000             | 2.50%                  | 164,800,000             | 3.32%                  | 175,300,000             | 2.88%                  | 163,400,000             | 2.19%                  |
| Gasoline Inspection Tax                            | 63,700,000              | 2.74%                  | 64,034,000              | 2.50%                  | 59,100,000 *            | 3.14%                  | 64,400,000              | 3.04%                  | 62,900,000              | 1.94%                  |
| Motor Vehicle Registration Tax                     | 247,700,000             | 4.51%                  | 242,928,000             | 3.80%                  | 249,000,000             | 4.89%                  | 247,300,000             | 4.39%                  | 239,900,000             | 2.39%                  |
| Income Tax                                         | 126,000,000             | 5.00%                  | 141,750,000             | 5.00%                  | 128,900,000             | 6.62%                  | 136,400,000             | 16.58%                 | 104,400,000             | 0.10%                  |
| Privilege Tax - Less Earmarked Portion             | 244,800,000             | 2.00%                  | 247,717,000             | 4.00%                  | 241,600,000 (1)         | 6.38%                  | 294,400,000 (1)         | 10.97%                 | 243,200,000             | 2.27%                  |
| Gross Receipts Tax - TVA                           | 204,400,000             | 0.99%                  | 206,087,000             | 2.00%                  | 204,600,000 **          | 0.00%                  | 204,600,000 **          | 0.00%                  | 205,600,000             | 1.58%                  |
| Gross Receipts Tax - Other                         | 23,000,000              | 21.05%                 | 18,957,000              | 3.50%                  | 22,600,000              | 9.18%                  | 24,400,000              | 35.56%                 | 16,700,000              | 1.83%                  |
| Beer Tax                                           | 18,500,000              | 2.21%                  | 17,683,000              | 1.50%                  | 16,400,000 *            | 3.14%                  | 17,100,000              | 3.64%                  | 18,400,000              | 3.37%                  |
| Alcoholic Beverage Tax                             | 36,900,000              | 2.50%                  | 35,921,000              | 2.00%                  | 32,000,000 *            | 3.23%                  | 35,900,000              | 1.70%                  | 36,600,000              | 1.95%                  |
| Franchise & Excise Taxes                           | 1,081,200,000           | 2.00%                  | 1,079,286,000           | 1.00%                  | 1,117,100,000           | 6.36%                  | 1,298,000,000           | 7.84%                  | 1,109,500,000           | 1.50%                  |
| Inheritance and Estate Tax                         | 75,000,000              | -11.76%                | 89,800,000              | 0.00%                  | 68,500,000 *            | 3.16%                  | 99,900,000              | -4.77%                 | 90,000,000              | -0.22%                 |
| Tobacco Tax                                        | 115,000,000             | -0.52%                 | 120,499,000             | 1.00%                  | 108,200,000 *           | 3.15%                  | 114,700,000             | 0.09%                  | 119,900,000             | -0.50%                 |
| Motor Vehicle Title Fees                           | 11,300,000              | 1.80%                  | 11,478,000              | 2.00%                  | 10,100,000 *            | 3.06%                  | 11,800,000              | 3.51%                  | 11,400,000              | 0.88%                  |
| Mixed Drink Tax                                    | 42,000,000              | 3.96%                  | 41,517,000              | 3.50%                  | 36,500,000 *            | 3.40%                  | 42,400,000              | 5.47%                  | 42,800,000              | 7.27%                  |
| Business Tax                                       | 97,000,000              | 5.43%                  | 97,850,000              | 3.00%                  | 88,100,000 *            | 3.16%                  | 97,500,000              | 0.52%                  | 96,600,000              | 0.21%                  |
| Severance Tax                                      | 1,100,000               | 0.00%                  | 1,100,000               | 0.00%                  | 1,000,000 *             | 0.00%                  | 1,000,000               | 0.00%                  | 1,000,000               | -9.09%                 |
| Coin Operated Amusement Tax                        | 3,500,000               | 0.00%                  | 2,000,000               | 0.00%                  | 3,200,000 *             | 3.23%                  | 800,000                 | NA                     | 400,000                 | 0.00%                  |
| <b>TOTAL DEPARTMENT OF REVENUE</b>                 | <b>\$ 9,231,800,000</b> | <b>4.30%</b>           | <b>\$ 9,207,789,000</b> | <b>3.61%</b>           | <b>\$ 9,223,800,000</b> | <b>4.36%</b>           | <b>\$ 9,426,000,000</b> | <b>3.92%</b>           | <b>\$ 9,066,100,000</b> | <b>2.58%</b>           |
| <b>GENERAL FUND ONLY (2)</b>                       | <b>\$ 7,691,300,000</b> | <b>4.61%</b>           | <b>\$ 7,682,089,000</b> | <b>3.87%</b>           | <b>\$ 7,701,800,000</b> | <b>4.79%</b>           | <b>\$ 7,883,400,000</b> | <b>4.26%</b>           | <b>\$ 7,553,300,000</b> | <b>2.77%</b>           |
| <b>Growth over FY 04 Budgeted Est. - Total</b>     | \$523,100,000           |                        | \$499,089,000           |                        | \$515,100,000           |                        | \$717,300,000           |                        | \$357,400,000           |                        |
| <b>Growth over FY 04 Budgeted Est. - Gen. Fund</b> | \$468,500,000           |                        | \$459,289,000           |                        | \$479,000,000           |                        | \$660,600,000           |                        | \$330,500,000           |                        |
| <b>SELECTED TAXES</b>                              | <b>DR. FOX</b>          | <b>%</b>               | <b>FISCAL REVIEW</b>    | <b>%</b>               | <b>DR. DePRINCE</b>     | <b>%</b>               | <b>DR. EVANS</b>        | <b>%</b>               | <b>REVENUE DEPT.</b>    | <b>%</b>               |
| <b>SALES AND USE TAX</b>                           | <b>\$ 6,055,700,000</b> | <b>5.50%</b>           | <b>\$ 6,017,559,000</b> | <b>4.50%</b>           | <b>\$ 6,066,100,000</b> | <b>4.45%</b>           | <b>\$ 5,946,800,000</b> | <b>3.19%</b>           | <b>\$ 5,892,000,000</b> | <b>3.20%</b>           |
| <b>FRANCHISE AND EXCISE TAXES</b>                  | <b>1,081,200,000</b>    | <b>2.00%</b>           | <b>1,079,286,000</b>    | <b>1.00%</b>           | <b>1,117,100,000</b>    | <b>6.36%</b>           | <b>1,298,000,000</b>    | <b>7.84%</b>           | <b>1,109,500,000</b>    | <b>1.50%</b>           |
| <b>INCOME TAX</b>                                  | <b>126,000,000</b>      | <b>5.00%</b>           | <b>141,750,000</b>      | <b>5.00%</b>           | <b>128,900,000</b>      | <b>6.62%</b>           | <b>136,400,000</b>      | <b>16.58%</b>          | <b>104,400,000</b>      | <b>0.10%</b>           |
| <b>ALL OTHER TAXES</b>                             | <b>1,968,900,000</b>    | <b>1.96%</b>           | <b>1,969,194,000</b>    | <b>2.30%</b>           | <b>2,040,600,000</b>    | <b>3.04%</b>           | <b>2,181,200,000</b>    | <b>3.69%</b>           | <b>1,960,200,000</b>    | <b>1.49%</b>           |

(1) Privilege Tax estimates are reduced by \$32,000,000 in 2004-2005 for the earmarked portion of the tax.

(2) F&A calculated the General Fund distribution for all presenters.

\* F&A distributed taxes for Dr. DePrince based on ratios for budgeted collections for 2003-2004.

\*\* F&A distributed the Gross Receipts Taxes for Dr. DePrince and Dr. Evans based on anticipated TVA collections in 2003-2004.